Allis, C. F.

Currency reform

[New York]

[1896]

97-84244-16
MASTER NEGATIVE #

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ORIGINAL MATERIAL AS FILMED - EXISTING BIBLIOGRAPHIC RECORD

Allis, C F
Currency reform; one hundred million dollars added to the circulation by releasing the gold reserve...[letter, Dec. 22. 1896, reprinted from the New York commercial advertiser]
[4] p. $15\frac{1}{2}$ cm.

Vol. of pamphlets.

ONLY ED

TECHNICAL MICROFORM DATA

FILM SIZE: 35mm REDUCTION RATIO: 9:1 IMAGE PLACEMENT: IA IIA IB IIB

DATE FILMED: 11-12-97 INITIALS: PB

TRACKING # : 29591

FILMED BY PRESERVATION RESOURCES, BETHLEHEM, PA.

CURRENCY REFORM.

One Hundred Million Dollars added to the circulation by releasing the gold reserve.

A Low Rate Government Bond as a Basis for National Currency, but Government Bonds not Essential to the System.

National Bank Depositors Absolutely Secure from Loss—An Emergency Circulation for such Panics as '93. Small Banks for Small Towns.

Plan Suggested by an Erie Banker.

From the New York Commercial Advertiser:

SECOND NATIONAL BANK,
ERIE, PA., Dec. 22. 1896.

Editor The Commercial Advertiser:

I beg to acknowledge receipt of your letter requesting my views upon the currency question.

The outline given below was prepared something over a year since, but was not published, as the time did not seem ripe for any new legislation.

There is a fundamental principle, which must be admitted before any improvement can be made in our currency system. The Constitution gives to the government the power to "coin money and regulate the value thereof," and although the constitutionality of the legal tender act was upheld by the supreme court, it was by such a narrow majority that the decision may well be questioned. However this may be, it seems to me to be a fundamental and

essential principle of a sound currency system that the Legal tender and United States treasury notes should be retired and destroyed, and the contraction caused by their retirement be immediatley filled by some sort of currency better adapted to the demands of our business interests. The outline which I would suggest as a basis for future legislation and which I would offer as an amendment to the present National banking act may be briefly summarized as follows:

(1)—I would have Congress authorize the issue of a series of two and one-half per cent bonds (interest one and one-fourth per cent. semi-annually) payable in coin fifty years after date and redeemable in twenty years. These bonds to be registered and to be issued in denominations of five and ten thousand dollars to any amount that should be required by this amendment.

(2) I would offer these bonds at par to be paid for in United States legal tender, or treasury notes, or gold, at the discretion of the secretary of the treasury, and to be used only as a basis for a national currency. I would then further amend the national currency act so as to provide that whenever any national bank now established, or hereafter to be established, should purchase these bonds and authorize their delivery to the comptroller of the currency as security for circulating notes, the comptroller should issue to them national currency to the amount of the bonds deposited, not exceeding the paid-in capital of the bank.

Whenever the comptroller should issue new national currency under the provisions of this amendment an equal amount of Legal tender or United States treasury notes should be destroyed and should not be reissued.

(3) The banks taking these bonds should be required to pay annually a tax of one-half of one per cent. (one-fourth per cent semi-annually) upon the amount of the outstanding circulaiton to the United States, and should be exempt from all other government taxation. This tax should be used:

(1) To pay all expenses of the department, including printing, engraving, redemption, etc.

(2)—To create a fund from which, after the receiver of a suspended bank has exhausted the assets of the bank and the stockholders, the depositors should be paid in full without interest. Whenever this fund should amount to, say, two and one-half million dollars, the amount in excess of that sum should be covered into the treasury for current expenses.

(3)—I would provide further that in towns of two thousand population or less national banks may be established with a subscribed capital of $50,000, one-half of which must be paid in before they are authorized to do business, the remaining one-half to be paid in five equal annual assessments.

(4)—Whenever, for any reason, a national bank is placed in the hands of a receiver or goes into voluntary liquidation, the United States Treasurer should be authorized to cancel the bonds and redeem the outstanding circulation, the profit from all notes destroyed and not presented to accrue to the government.

(5)—Whenever the outstanding legal tender and Treasury notes or 90 per cent. of them have been redeemed and destroyed under the operation of this amendment, the money received for bonds sold may be used for the purchase or redemption of outstanding bonds or obligations of the government bearing a higher rate of interest.

(6)—If, at any time, the government desires to pay the bonds issued under this act the comptroller should be authorized to issue to any bank whose bonds are called new currency in proper form not exceeding 75 per cent. of the captial paid in, and these notes should be first lien upon the assets of the bank and subject to the same taxation as when secured by bonds.

(7)—I would make this new national currency a full legal tender for all debts, public and private, except those due to the Government and would make them redeemable in coin at the bank of issue and at the department in Washington.

(8)—The outstanding gold and silver and gold and silver certificates I would not disturb, but I would leave our mints open to the free and unlimited coinage of gold.

(9)—Emergncy Circulation.—I would provide further that whenever, in the judgment of the President, the Secretary of the treasury and Comptroller of the currency, the financial condition of the country demanded a temporary increase in the volume of the currency the Comptroller should be directed to issue to any solvent bank with unimpaired capital whatever amount they should apply for, but not to exceed 25 per cent. of their paid-in capital.

This emergency circulation should differ in color from the ordinary national currency, should be payable one year after the date of issue, and at the maturity of such notes the bank should be required to deposit in current funds with the United States treasurer the amount issued to them with 5 per cent. interest added. These notes should be first lien upon the assets of the bank after the regular circulation.

C. F. ALLIS, Cashier.

MSU 2759

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